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MINISTRY OF COMMERCE AND INDUSTRY

RESOLUTION

New Delhi, the 31st December, 1953

TARIFFS

No. 36(4)-T.B./53.—The Tariff Commission has submitted its Report on the continuance of protection to the Sericulture Industry on the basis of an enquiry undertaken by it under Section 11(c) read with Sections 13 and 15 of the Tariff Commission Act, 1951.

2. In its report the Commission has pointed out that though the Industry has been enjoying protection under a fairly high tariff wall for nearly two decades it has not made satisfactory progress. Both the quality and the quantity of indigenous production have not improved sufficiently. The proportion of flature silk is still very small. On the other hand the Commission has recognised the importance of sericulture as a cottage industry deserving every encouragement and support from Government.

3. After examining the problem in all its aspects the Commission has come to the conclusion that the protection granted to the industry should be continued for a further period of 5 years. The Commission considers, however, that the present rates of duty have inhibited demand by creating conditions for a rise in the prices of indigenous silk. It has, therefore, recommended that—

- (i) A duty of 30 per cent. *ad valorem*, exclusive of surcharge, should be levied on raw silk [Tariff item No. 46];
- (ii) The existing duty of 31½ per cent. *ad valorem* (including surcharge) on silk waste and noils [Tariff item No. 46(1)] should be continued;
- (iii) The duty on silk yarn including thrown silk warps [Tariff item No. 47(a)], should be the same as on raw silk, viz., 30 per cent. *ad valorem*, exclusive of surcharge;
- (iv) A duty of 30 per cent. *ad valorem* exclusive of surcharge, should be levied on yarn spun from silk waste, [Tariff item No. 47(b)];
- (v) The existing rate of duty, namely, 30 per cent. *ad valorem* exclusive of surcharge, on yarn spun from silk noils [Tariff item No. 47(c)], should be continued;
- (vi) The existing rate of duty, namely 31½ per cent. *ad valorem* (inclusive of surcharge) on silk sewing thread [Tariff item No. 47(1)], should be continued;
- (vii) If the proposal for the reduction of the protective duty on raw silk to 30 per cent. *ad valorem* is accepted by Government, a compensatory duty of 30 per cent. *ad valorem* exclusive of surcharge, would be more than adequate for the protected varieties of silk fabrics, [i.e. Tariff items Nos. 48(a), 48(b) and 48(c)].

4. The above recommendations involve a reduction of the existing rates of duty under (i), (iii), (iv) and (vii). Government have considered these recommendations most carefully. While they fully appreciate the desirability of reducing the price of raw silk, they doubt if costs can be reduced quickly by adopting improved methods of production, in a cottage-cum-small scale industry like sericulture. Further, owing to consumers preference for the imported raw silk and other factors, the market price of imported raw silk is much higher than the landed cost. A reduction in the import duty is, therefore, unlikely in the present circumstances to be passed on to the consumers. Government have therefore decided that the current rates of duties should not be reduced. The position will however be kept under close and careful watch and suitable action taken if and when necessary. They agree that protection granted to the industry should be extended for a further period of 5 years from the 1st January, 1954.

5. The Commission has also made the following ancillary recommendations:—

- (1) The progress of the industry should be reviewed periodically once a year.
- (2) Quantitative basis should be adopted for import licensing of raw silk and imports of foreign silk should be rigidly regulated so as to allow only as much import as would be required to fill the gap between the country's requirements and the indigenous production. The issue of licences should be so administered as to ensure an even flow of imports into the country. To facilitate regulation of imports on the above lines, the Central Silk Board should collect each month from the various States figures of production of raw silk and forward such information to the Ministry of Commerce and Industry and the Import Control Authorities.
- (3) The present export control policy, which restricts export of silk waste to the surplus available after meeting the requirements of the spun silk industry should be continued;
- (4) State Governments should enact at an early date the necessary legislation for the establishment of cocoon markets and for regulating the prices of cocoons. The ceiling and floor prices of cocoons should be fixed at Rs. 1-6-0 and Rs. 1-4-0 per lb. respectively;
- (5) The Government of India should increase their grants to the Central Silk Board so as to enable the Board to extend increased financial assistance to the Central Sericulture Research Station, Berhampore, and to the Research Institute in Mysore.
- (6) The Governments of the various silk producing States should encourage research activities in their States by increased financial assistance.
- (7) Research, particularly in respect of mulberry cultivation and breed of silk worms, is of vital importance to the development of the Sericulture Industry. The Central Silk Board should, therefore, go ahead with its proposed scheme of setting up regional research stations with emphasis on the above two aspects and implement it as early as possible. For coordinating research activities of these regional stations a Central Research Station should also be established at a convenient place;
- (8) To enable the spun silk industry to obtain its raw material at economic price, the Central Silk Board should examine the question of fixation of a reasonable price for silk waste throughout India in consultation with the various State Governments concerned.
- (9) To enable the Commission to take timely action to suitably modify the scheme of protection if and when the c.i.f. prices fall appreciably below or rise above the figures adopted in this report, the Central Silk Board should collect monthly statistics of c.i.f. prices as well as the export quotation relating to raw silk in Japan and furnish them regularly to the Commission.
- (10) The Central Silk Board should appoint a Committee of its own, composed of experts, to go into the question of (i) suitability of the existing as well as proposed areas for mulberry cultivation (including trees), (ii) improvement in the quality and yield of mulberry leaves and (iii) improvement in the renditta. Any extension of the existing areas or introduction of sericulture in new areas should be undertaken only on the advice of this Committee;

- 1) The Central Silk Board should initiate a scheme at an early date for improving the quality of the indigenous charkha silk by the use of improved types of charkha basins. So far as filature is concerned, the quality should be improved as in Japan by the adoption of latest improved types of reeling filature machinery.
 - (12) The Central Silk Board should take early action to ensure that the draft standards for raw silk are finalised and strictly adhered to by the producers of silk. As regards silk cocoons, silk yarn and silk fabrics, the Silk Board should lay down the order of priorities and have standards formulated by the Indian Standards Institution accordingly.
 - (13) The industry should take all possible steps to improve the quality of the indigenous silk and also to reduce its price.
6. Government will take necessary steps to implement them as far as possible and would take this opportunity of drawing the attention of the industry to recommendation (13).

L. K. JHA, Joint Secy.

